



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BAC 4102: INTRODUCTION TO ACCOUNTING II

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Six printed pages

QUESTION 1 (Compulsory)

Francis and Fenny are in partnership sharing profits and losses in the ratio 60% and 40% respectively. The following is their trial balance as at 30th September 2014.

	Dr.	Cr.
	Ksh.	Ksh.
Building (cost Ksh. 210,000)	160,000	
Fixtures at cost	8,200	
Provision for depreciation – fixtures		4,200
Debtors	61,400	
Creditors		26,590
Bank	6,130	
Stock	62,740	

Sales		363,111
Purchases	210,000	
Carriage outwards	3,410	
Discount allowed	620	
Loan interest	3,900	
Office expenses	4,760	
Salaries and wages	57,809	
Bad debts	1,632	
Allowance for doubtful debts		1,400
Capital – Francis		100,000
Fenny		75,000
Loan		65,000
Current accounts - Francis		4,100
Fenny		1,200
Drawings - Francis	31,800	
Fenny	28,200	
	<u>640,601</u>	<u>640,601</u>

Additional information:

- Opening stock Ksh. 74,210
- Accrual expenses: office expenses Ksh. 215, wages Ksh. 720,
- Depreciation: Fixtures 15% on WDV, Buildings Ksh. 5,000
- Reduce allowance for doubtful debts to Ksh. 1,250
- Partnership salary: Francis Ksh. 900, Fenny Ksh. 600
- Interest on capital accounts 5%

Required:

- Income statement (12 marks)
- Current accounts (8 marks)
- Statement of financial position. (10 marks)

QUESTION 2

The following Trial balance was extracted from the books of NYALI Ltd as on 31st December 2014.

	Dr. Ksh.	Cr. Ksh.
Motor vehicles at cost	172,000	
Equipment at cost	120,000	
Buildings at cost	1,050,000	
Goodwill at cost	255,000	
Opening stock	84,912	
Purchases	439,100	

Carriage inwards	6,200	
Salaries and wages	192,400	
Directors remuneration	123,000	
Motor expenses	3,120	
Rates and insurance	8,690	
General expenses	5,600	
Debentures interest	15,000	
Debtors	186,100	
Bank	8,390	
Interim ordinary dividend paid	35,000	
Retained profit b/f		43,212
Share premium account		100,000
Creditors		113,700
Sales		1,022,000
Provision for depreciation: Building		100,000
Equipment		24,000
Motor		51,600
vehicles		300,000
10% debentures		700,000
Ordinary share capital		<u>200,000</u>
10% preference share capital	<u>2,704,512</u>	<u>2,704,512</u>

Additional information

- i) Closing stock Ksh. 91,413
- ii) Depreciation buildings Ksh. 91,423
- iii) Accrued debenture interest Ksh. 15,000
- iv) Provide for preference dividend Ksh. 20,000 and final ordinary dividend of 10%.
- v) Transfer Ksh. 10,000 to general reserve
- vi) Write off goodwill Ksh. 300,000
- vii) Authorized share capital: Ksh. 200,000 in preference shares and Ksh. 1,000,000 in ordinary shares.
- viii) Provide for corporation tax Ksh. 50,000

Required:

- a) Income statement. (10 marks)
- b) Statement of financial position. (10 marks)

QUESTION 3

The following bank summary was extracted from the books of Sembe for the year ended 31st December 2014.

	Ksh.		Ksh.
Balance b/d	4,100	Creditors	67,360
Receipts from debtors	91,190	Rent	3,950
Balance c/d	6,300	Insurance	1,470
		Sundry Expenses	610
		Drawings	<u>28,200</u>
	<u>101,590</u>		<u>101,590</u>

All of the business takings have been paid into the bank with the exception of Ksh. 17,400. Out of this, Sembe has paid wages of Ksh. 11,260, drawings of Ksh. 1,200 and purchase of goods Ksh. 4,940. The following information is available:

	01.01.2014	31.12.2014
	Ksh.	Ksh.
Stock	10,800	12,200
Creditors of goods	12,700	14,100
Debtors of goods	21,200	19,800
Insurance prepaid	420	440
Rent owing	390	-
Fixtures at valuation	1,800	1,600

Required:

- a) Income statement **(10 marks)**
- b) Statement of financial position. **(10 marks)**

QUESTION 4

INCOME STATEMENTS

	31.12.2013		31.12.2014	
	Ksh.	Ksh.	Ksh.	Ksh.
Sales		555,000		750,000
Less cost of goods sold:				
Opening stock	100,000		60,000	
Add purchases	<u>20,000</u>		30,000	
	300,000		400,000	
Less closing stock	<u>600,000</u>	<u>240,000</u>	70,000	<u>330,000</u>
Gross Profit		315,000		420,000
Less operating expenses				
Depreciation	5,000		15,000	
Wages	165,000		22,000	
Other expenses	<u>45,000</u>	<u>215,000</u>	<u>35,000</u>	<u>270,000</u>
Net profit		<u>100,000</u>		<u>150,000</u>

STATEMENT OF FINANCIAL STATEMENT

Non-current Assets:

Equipment at cost	50,000		100,000	
Less depreciation	<u>40,000</u>	10,000	<u>30,000</u>	70,000

Current assets

Stock	60,000		70,000	
Debtors	125,000		100,000	
Bank	<u>25,000</u>		<u>12,500</u>	
	210,000		182,500	

Less current liabilities

Creditors	104,000	<u>106,000</u>	<u>100,500</u>	<u>82,000</u>
		<u>116,000</u>		<u>152,000</u>

Financed by Capital		76,000		116,000
Net Profit		<u>100,000</u>		<u>150,000</u>
Less Drawings		176,000		266,000
		<u>60,000</u>		<u>114,000</u>
		<u>116,000</u>		<u>152,000</u>

Required:

Calculate the following ratios for each period

- Gross profit margin
- Rate of stock turnover
- Return on capital employed

- d) Current ratio
- e) Creditor/purchases ratio

(20 marks)

QUESTION 5

The following financial statement were extracted from the books of Wawira Enterprises as at 31.12.2014 and 31.12.2013

RECEIPTS

PAYMENTS

	Ksh.		Ksh.
Balance b/d	210	Secretarial expenses	163
Sale of tickets	437	Rent	1,402
Subscriptions	1,987	Speaker's expenses	1,275
Donations	177	Donation to charities	35
Refund of rent	500	Prizes	270
Balance c/d	<u>13</u>	Stationery	<u>179</u>
	<u>3,324</u>		<u>3,324</u>

The following are available:

	01.01.2014	31.12.2014
	Ksh.	Ksh.
Equipment (original cost Ksh. 1,420)	975	780
Subscriptions in arrears	65	85
Subscriptions in advance	10	37
Owing to suppliers –prizes	58	68
Stock of prizes	38	46

Required:

- a) Income statement (10 marks)
- b) Statement of financial position. (10 marks)